

Message Text

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FM AMEMBASSY LAGOS

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TAGS: EFIN, NI, US

SUBJECT: NIGERIAN OFFICIALS VISIT TO US STOCK EXCHANGES

REF: STATE 15833, LAGOS 1233

1. EMBASSY HAS RECEIVED DETAILS OF PLANNED VISIT FROM C.C. CORNEL OBI, SECRETARY, INDUSTRIAL ENTERPRISES PANEL, FMG CABINET OFFICE. FIVE MEMBERS WILL TRAVEL TO RIO DE JANEIRO FEBRUARY 8-15, MEXICO CITY FEBRUARY 15-19. NEW YORK FEBRUARY 19-22, AND LONDON FEBRUARY 22-25. GROUP LEADER WILL BE MR. HAMZA R. ZAYYAD, MANAGING DIRECTOR, NEW NIGERIA DEVELOPMENT COMPANY LIMITED. OTHERS ARE MR. FRED BRUME, ALHAJI ADEBAYO ADETUNJI, MR. R.A. OSIKOYA (LEGAL ADVISOR) AND MR. F.A. BANKOLE (SECRETARY).

2. EMBASSY SUGGESTED GROUP SHOULD PROBABLY INCLUDE VISIT TO SEC IN WASHINGTON, WHICH COULD BE ACCOMPLISHED EASILY BY AIR SHUTTLE SERVICE. HOWEVER, CORNLE OBI WAS RELUCTANT TO MAKE A COMMITMENT SINCE HE DIDN'T KNOW IF NIGERIAN CONSULATE IN NEW YORK WOULD BE MAKING OTHER ARRANGEMENTS. HE SAID MEA IS SUPPOSED TO BE COORDINATING THINGS THROUGH NIGERIAN EMBASSY, BUT HE HAD NOT YET BEEN INFORMED OF ANY FIRM PROGRAM. HE SAID FMG IS PAYING FOR TRIP.

3. IN VIEW OF ABOVE, IT MIGHT BE BEST TO KEEP ANY ARRANGEMENTS MADE WITH EXCHANGES IN NEW YORK AS INFORMAL AND FLEXIBLE AS POSSIBLE. EMBOFF TOLD CORNEL OBI THAT DEPARTMENT WOULD ALERT NYSE AND ASE, WHICH HAD ALREADY EXPRESSED INTEREST IN SEEING PANEL, AND WOULD PROVIDE NIGERIAN EMBASSY WITH NAMES OF CONTACT OFFICERS

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AT EXCHANGES, BUT WOULD THEN LEAVE PRECISE SCHEDULING OF VISITS TO

EXCHANGE UP TO NIGERIAN EMBASSY AND CONSULATE TO AVOID ANY CONFLICTS.

4. FOLLOWING MAY BE USEFUL IN SPECIFYING TO EXCHANGES WHAT PANEL IS INTERESTED IN. THE ADEOSUN COMMITTEE, OF WHICH THE PANEL IS A PART, HAS BEEN REVIEWING THE PROGRESS AND WORKING OF NIGERIA'S INDIGENIZATION DECREE OF 1972. THE PRINCIPAL OBJECT OF THE INDIGENIZATION POLICY IS TO ENSURE THAT NIGERIA'S BUSINESS IS MAINLY NIGERIAN, AND TO INVOLVE NIGERIANS IN THE COUNTRY'S INDUSTRIAL AND COMMERCIAL ACTIVITY AS PROPRIETORS AND SHARE-HOLDERS IN ADDITION TO JUST EMPLOYING THEM IN IT. THE ADEOSUN COMMITTEE MAY PROPOSE EXPANDING THE RANGE OF BUSINESSES COVERED BY BOTH SCHEDULE I (THOSE OWNED ENTIRELY BY NIGERIAN INTERESTS) AND SCHEDULE II (THOSE WHICH MUST BE AT LEAST 40 PERCENT NIGERIAN OWNED), AND INCREASING THE PERCENTAGE OF NIGERIAN OWNERSHIP IN SCHEDULE II. CONSIDERABLE CRITICISM HAS BEEN VOICED THAT ONLY THE RICH AND THOSE FRONTING FOR EXPATRIATES WERE ABLE TO BUY SHARES WHEN THE 1972 DECREE WENT INTO EFFECT, AND THE ADEOSUN COMMITTEE IS EXPECTED TO RECOMMEND WAYS TO GUARANTEE THAT SHARE OWNERSHIP IS MORE WIDESPREAD, AS WELL AS MORE GENUINELY NIGERIAN. THEY SHOULD THUS BE INTERESTED IN THE DIFFERENCES BETWEEN INSTITUTIONAL AND SMALL INDIVIDUAL HOLDINGS IN THE U.S., AND METHODS WE HAVE EMPLOYED TO ENCOURAGE BROADER AND MORE DIVERSE OWNERSHIP. IT HAS ALSO BEEN SUGGESTED THAT A NATIONAL UNIT TRUST BE CREATED WHICH COULD BUY LARGE BLOCKS OF STOCK AND THEN SELL SHARES IN SMALL DENOMINATIONS TO INDIVIDUAL NIGERIAN INVESTORS, SO THE PANEL MAY BE INTERESTED IN THE CREATION AND MANAGEMENT OF MUTUAL FUNDS. ANOTHER PROBLEM THE COMMITTEE WANTS TO STUDY IS WHETHER THEN MONEY PAID FOR SHART SOLD TO MEET A STATUTORY ENLARGEMENT OF NIGERIAN OWNERSHIP WILL MEAN AN ACTUAL INCREASE IN NATIONAL SAVINGS OR WILL SIMPLY REPRESENT DIVERSION OF FUNDS FROM PROPOSED NEW CAPITAL INVESTMENT AND THUS NOT BENEFIT THE OVERALL ECONOMY. AMERICAN EXPERIENCE WITH THIS QUESTION WILL THUS BE OF INTEREST TO THE PANEL.
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